January 2024

Future market overview - used light commercial

This is the cap guide to future residual values for used light commercial vehicles. Individual forecasts are provided in pounds for periods from twelve months to four years.

Vehicle condition parameters

All prices in Used LCV Future Residual Values relate to disposal values for models in cap Average Condition - complying with most of the following requirements:

- In a reasonable condition given its age and mileage.
- Requires some work other than routine cleaning and servicing to bring it up to retail standard.
- Mechanically sound.
- Current MOT test certificate or needing only routine wear and tear item replacements in order to obtain one.
- May require some repainting but not major body repair.
- Vans and pick-ups to be fitted with a full substantial lining from new.
- Interior dirty and untidy, but not damaged.
- Capable of being brought up to 'Clean Condition' with minimal work.
- Including all relevant documentation, especially V5.

Vehicle excise duty (road tax)

The cost of vehicle road tax for light goods vehicles and the differences in taxation between light goods vehicles classed as cars are beyond the scope of this document. You can access detailed information from the DVLA by pasting the following link into your browser. https://www.gov.uk/government/organisations/driver-and-vehicle-licensing-agency

VAT

Monitor forecast values exclude VAT except for models which are defined by HMRC as "VAT Qualifying Commercial Vehicles".

For details of the HMRC definition of a VAT Qualifying commercial vehicle, please visit their website using this link http://www.hmrc.gov.uk/vat/sectors/motors/what-is-car.htm

Company van benefit in kind tax

The rules regarding the differences between cars and vans for tax purposes are complex and best understood by reading the relevant pages on the HM Revenue & Customs website. In summary, different 'benefit in kind' tax rules apply to both company cars and company vans. It is crucial to understand that a van is a vehicle that is primarily suited for the conveyance of 'goods or burden', not people. Vans with side windows behind the driver are unlikely to be classed as a van, particularly if they are fitted, or capable of being fitted with additional seating behind the driver's seat. This remains true whether or not those additional seats are in the vehicle at the time.

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Commercial future editorial

By cap hpi

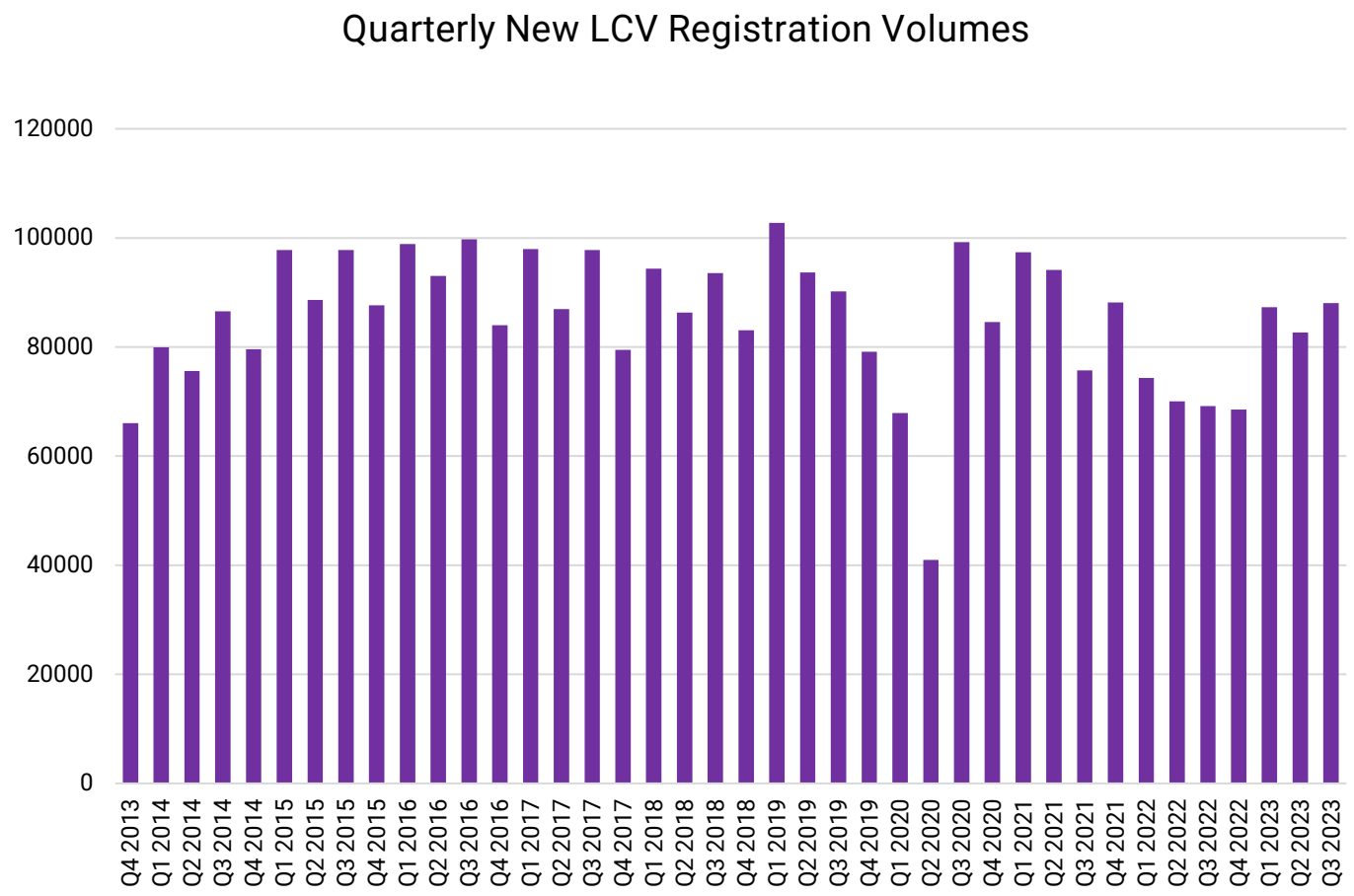
Tachographs

Vehicles over 3500Kg Gross Weight are fitted with a tachograph which measures distance in kilometres. Forecast values for light commercials are calculated in total miles. Care should be taken to ensure that the correct distance parameters are used. The conversion factor from kilometres to miles is 1km = 0.6214 miles

Changes to forecasting

Prior to any individual model or range reforecasts future residual values in this edition of cap Monitor are on average 1.5% lower than the December edition reflecting the predicted seasonal trend. Dependent on the extent of any reforecasts and / or changes in our economic mask, the overall final average month on month movement may sometimes be significantly different to the change caused by this seasonal adjustment. In addition, in Used forecast the effect of 'plate changes can disguise the seasonal movement.

New LCV registrations by quarter



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Future light commercial vehicle pricing model

The cap guide to future light commercial vehicle values is based upon a model of the used light commercial vehicle market and its reaction to changes in economic factors and industry trends. Relationships between factors affecting used light commercial vehicle prices and the sensitivity to the changing economy or model trends were derived and expressed in an econometric form.

One of the most important aspects is the information gathered with respect to the fundamentals that lie behind each purchase. No one buys a commercial vehicle purely as a cosmetic driven purchase. It is bought primarily to bring an economic return from the purpose to which it is designed. This basic premise is the reason why one vehicle will sell for more, or less, than another given the perception of the buyer as to the fitness of a vehicle to undertake a particular task.

In order to develop a responsive model, the basic approach to the production of future residual values relies on econometric estimation. To facilitate this approach some assumptions obtained from research have been made on what is cause and what is effect. The accuracy of the data is also of primary importance although care must be taken as to their behaviour and underlying reasons for change. Generally, therefore, the approach is empirical with many lessons learned from historical analysis. Overlaying the model are dynamic elements that give rise to clear and explicit predictions.

Many models and theories that use econometric estimation can often be criticised for not incorporating the behaviour of used light commercial vehicle buyers. It is their attitudes, experience and prejudice that determine the values attained by a vehicle. In order to develop a working, effective model of the used light commercial vehicle market the knowledge provided by used light commercial vehicle professionals on the trends in the market are essential.

The working model therefore is a logical development of the research carried out on the used light commercial vehicle market and factors affecting values. The economic factors that have been used to forecast forward have been detailed in the earlier sections. The future residual values, in pounds and percentages, are hence dependent upon the views expressed therein on the development of the UK economy and used light commercial vehicle marketplace.

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